

Message Text

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ORIGIN SS-30

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /031 R

DRAFTED BY SA/C:GKAMENS:REF

APPROVED BY AA/SA:RHNOOTER

EA:MSTEARNS (SUBS)

DAA/SA:GZIMMERLY (SUBS)

NSC:JBUSHNELL (DRAFT)

SA/PPB:CHBREECHER (SUBS)

EA/LC:LMRIVES (DRAFT)

S/S - MR. GAMMON

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O R 212228Z DEC 73

FM SECSTATE WASHDC

TO AMEMBASSY PHNOM PENH IMMEDIATE

INFO AMEMBASSY BANGKOK

AMEMBASSY SAIGON

S E C R E T STATE 249438

EXDIS

E.O.11652:GDS

TAGS: EAID, CB

SUBJECT: HYPERINFLATION IN CAMBODIA - FY 1974 AID LEVELS

REFS: A. PHNOM PENH 13325 D. STATE 245463

B. PHNOM PENH 13838 E. PHNOM PENH 14210

C. STATE 242733

1. REGRET DELAY IN RESPONDING TO REFS A AND B. AS INDICATED IN REF. C, WE ARE IN SUBSTANTIAL AGREEMENT IN PRINCIPLE WITH MANY OF YOUR PROPOSALS FOR MEETING CAMBODIA'S CURRENT SERIOUS INFLATION. THE MAJOR REASON FOR OUR DELAY IN RESPONDING TO YOUR PROPOSALS HOWEVER IS THAT WE ARE FACING VERY SERIOUS PROBLEMS IN TRYING TO LOCATE ADEQUATE RESOURCES TO IMPLEMENT YOUR PLAN. RECENT CONGRESSIONAL

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APPROPRIATIONS ACTION ON FAA (REF. D) MAKES IT APPEAR AT THIS JUNCTURE THAT IT MAY BE VERY DIFFICULT TO PROVIDE THE KIND OF INCREASE IN AID FUNDS YOU ARE REQUESTING. A HIGH LEVEL INTERAGENCY MEETING WILL TAKE PLACE SHORTLY AFTER

CHRISTMAS TO DISCUSS THE PROBLEMS YOU HAVE RAISED AS WELL AS THE OVERALL FUNDING LEVELS ANTICIPATED FOR INDOCHINA.

2. YOUR PROPOSAL TO INCREASE PL 480 RICE DISTRIBUTION ALSO RAISES SERIOUS QUESTIONS, ESPECIALLY IN VIEW OF RICE AVAILABILITIES AND OVERALL FUNDING PICTURE. WE WILL BE

COMMENTING LATER IN GREATER DETAIL ON RICE PROPOSAL ABOUT WHICH WE HAVE SERIOUS RESERVATIONS.

3. CERTAINLY THE OTHER ASPECTS OF YOUR POLICY PROPOSALS, INCLUDING NEED TO ARRIVE AT MORE REALISTIC EXCHANGE RATE AS SOON AS POSSIBLE AND TO KEEP EXCHANGE RATE REALISTIC, ARE USEFUL AND NECESSARY. WE URGE YOU TO PURSUE THESE WITH GKR AS WELL AS YOUR REF. A PROPOSALS ON SALARY INCREASES, PARA 11 (C); ELIMINATING CONSTRAINTS ON IMPORT DEMANDS, PARA. 11 (D); STIMULATING INVESTMENTS, PARA. 11 (E); AND REFUGEE RESETTLEMENT, PARA. 11 (F).

4. WE DO NOT WANT TO GET IN THE POSITION WITH GKR WHEREBY WE ENCOURAGE THEM TO TAKE NECESSARY REFORMS ON THE PREMISE THAT WE WILL BE ABLE TO COME THROUGH WITH ADDITIONAL RICE AND AID DOLLAR FUNDING. WE HOPE, FOLLOWING NEXT WEEK'S INTERAGENCY MEETING, TO GIVE YOU A MORE DEFINITIVE ANSWER ON POSSIBILITIES FOR AID AND RICE RESOURCES. MEANWHILE, WE WOULD APPRECIATE YOUR REASSESSING 103 MILLION DOLS REQUIREMENT FOR THIS FISCAL YEAR PROJECTED IN YOUR REF. A, TO SEE WHERE IT MIGHT BE POSSIBLE TO REDUCE REQUIREMENTS. AMONG THE AREAS WE WOULD LIKE YOU TO CONSIDER ARE USE OF ESF OR GKR DOLLAR AND SDR RESERVES TO PAY FOR A PORTION OF PL 480 FREIGHT BILL; ELIMINATION OF LESS ESSENTIAL ITEMS FROM ESF ELIGIBILITY AND POSSIBLY FURTHER RESTRICTION ON GOODS ELIGIBLE UNDER THE CIP; FURTHER REDUCTION IN CIVILIAN POL CONSUMPTION (BEYOND 25 PERCENT CUT MENTIONED REF. A); A MORE SEARCHING ASSESSMENT OF PRIVATE SECTOR GENERAL LICENSING NEEDS OVER COMING DRY SEASON IN LIGHT OF ANTICIPATED SERIOUS INTERDICTION OF CONVOYS;

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OTHER AID DOLLAR SAVINGS (SUCH AS IMMEDIATE SHIFT TO USE OF LOCAL CURRENCY COUNTERPART GENERATIONS FOR VOLAG GRANTS AND OTHER REFUGEE ACTIVITIES PROPOSED STATE 241791); AND LASTLY, THAT GKR CONSIDER DRAWING DOWN SOME OF ITS GOLD RESERVES.

5. WILL ADVISE YOU AS SOON AS POSSIBLE REGARDING ADDITIONAL RESOURCES, AND WOULD APPRECIATE EARLY REPLY REGARDING PARA. NO. 4 ABOVE.

6. PHNOM PENH'S 14210 RECEIVED SINCE FOREGOING DRAFTED. WHILE PRESENT MESSAGE DOES NOT RESPOND ENTIRELY TO YOUR NEEDS, WE HOPE REPLY MORE FULLY FOLLOWING MEETING REFERRED

TO PARA. ONE ABOVE. RUSH

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 10 MAY 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INFLATION, ECONOMIC ASSISTANCE, PROGRAMS (PROJECTS)
Control Number: n/a
Copy: SINGLE
Draft Date: 21 DEC 1973
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: elyme
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973STATE249438
Document Source: ADS
Document Unique ID: 00
Drafter: SA/C:GKAMENS:REF
Enclosure: n/a
Executive Order: 11652 GDS
Errors: n/a
Film Number: P750029-0417
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731257/abqcekjj.tel
Line Count: 112
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Office: ORIGIN AID
Original Classification: SECRET
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: SECRET
Previous Handling Restrictions: EXDIS
Reference: A. PHNOM PENH 13325 D. STATE 245463 B. PHNOM PENH 13838 E. PHNOM PENH 14210 C. STATE 242733
Review Action: RELEASED, APPROVED
Review Authority: elyme
Review Comment: n/a
Review Content Flags:
Review Date: 20 NOV 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <20-Nov-2001 by shawdg>; APPROVED <08-Jan-2002 by elyme>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: HYPERINFLATION IN CAMBODIA - FY 1974 AID LEVELS
TAGS: ECON, EAID, CB
To: PHNOM PENH INFO BANGKOK
SAIGON
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005